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FM AMEMBASSY DILI
TO RUEHC/SECSTATE WASHDC 4640
INFO RUCNASE/ASEAN MEMBER COLLECTIVE
RUEHBJ/AMEMBASSY BEIJING 0131
RUEHBY/AMEMBASSY CANBERRA 1362
RUEAIIA/CIA WASHDC
RUCPDOG/DEPT OF COMMERCE WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHINGTON DC
RHEFDIA/DIA WASHINGTON DC
RUEHLI/AMEMBASSY LISBON 1181
RHEHAAA/NSC WASHINGTON DC
RUEHKO/AMEMBASSY TOKYO 0974
RUCNDT/USMISSION USUN NEW YORK 1150
RUEHC/USAID WASHDC
RUEHDT/AMEMBASSY DILI 4196

UNCLAS DILI 000332

SIPDIS

STATE FOR EAP/MTS AND S/CIEA

E.O. 12958: N/A

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SUBJECT: TIMOR-LESTE COMPLETES EXTRACTIVE INDUSTRIES TRANSPARENCY REPORT

¶1. The Government of Timor-Leste completed its first Extractive Industries Transparency Initiative (EITI) report and conveyed it to the president in a public ceremony on December 21. The report covers activities during calendar year 2008 and was compiled by the chartered accountant, Deloitte Touche Tohmatsu, and by Timor-Leste's EITI Working Group. President Ramos-Horta, Secretary of State for Natural Resources Alfredo Pires, the Country Manager for ConocoPhillips, and a representative of civil society all delivered remarks praising the transparency and accountability promoted by the report as well as the cooperative process that went into drafting it. The report must now be validated according to EITI rules, a process the GOTL hopes to complete in 2010.

¶2. According to the report, the Timorese National Petroleum Authority (the regulatory body that administers petroleum activities in the Joint Petroleum Development Area that Timor-Leste shares with Australia as well as in the Timor-Leste Exclusive Area) received just over \$2.5 billion from extractive industry companies in calendar year 2008, which it transferred to Petroleum Fund Account held by the Banking and Payments Authority in accordance with Timor-Leste's Petroleum Fund Law. Two-thirds of the total came from royalties (\$1.62 billion) and one-third from petroleum taxes (\$880 million). ConocoPhillips, the operator of the offshore Bayu Undan field (the only field currently in operation in Timor-Leste) paid 60 percent of the royalties and taxes. Joint venture partners Eni, Inpex, Santos and Tokyo Timor Sea paid the majority of the remaining royalties and taxes.

¶3. COMMENT: The EITI process and the fiscally-sound Petroleum Fund Law give the Timorese Government two effective tools for monitoring and managing the revenue it receives from the petroleum sector. Timor-Leste has serious shortcomings in managing the expenditure side of the ledger, however, including insufficient parliamentary oversight, a weak Auditor-General's office, and the lack of an independent procurement commission. Activities carried out under the Energy Governance and Transparency Initiative (EGTI) could make a useful contribution to addressing some of these shortcomings. END COMMENT.

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